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No. 05-1056

IN THE

Supreme Court of the United States

MICROSOFT CORPORATION,

Petitioner,

v.

AT&T CORP.,

Respondent.

On Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit

JOINT APPENDIX

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PETITION FOR WRIT OF CERTIORARI FILED FEBRUARY 17, 2006
CERTIORARI GRANTED OCTOBER 27, 2006

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The following opinions and orders have been omitted in printing this joint appendix because they appear on the following pages in the appendix to the petition for a writ of certiorari:

Memorandum and Order of the United States District Court for the Southern District of New York (Mar. 5, 2004) 20a

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Order of the United States Court of Appeals for the Federal Circuit denying petition for rehearing and rehearing en banc 39a

RELEVANT DOCKET ENTRIES IN THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

AT&T V MICROSOFT
2004-1285

* * *

Date	History
7/6/2004	Appellant Principal Brief Filing Date
9/22/2004	Appellee or Cross Appellant Principal Brief Filing Date
9/24/2004	Appellant Reply Brief Filing Date
	* * *
9/27/2004	Appendices Filing Date
4/7/2005	Oral Argument Date / Calendared
7/13/2005	Disposition: Affirmed; by Panel
10/27/2005	Mandated on
	* * *
9/13/2005	**MOTION:** Entry 49: by Appellee - MOTION FOR LEAVE TO FILE A CORRECTED VERSION OF THEIR OPPOSITION TO THE PETITION FOR REHEARING. **SERVICE:** by Mail on 9/13/2005
9/16/2005	**ACTION:** Entry 50: MOTION GRANTED.
8/16/2005	**MOTION:** Entry 46: by Appellee - MOTION FOR A 14-DAY EXTENSION OF TIME TO FILE ITS RESPONSE TO THE PENDING PETITION FOR REHEARING EN BANC (&

SUSPENSION OF THE DUE DATE FOR ITS RESPONSE WHILE THE MOTION IS PENDING). **SERVICE:** by Fax on 8/16/2005

8/17/2005 **ACTION:** Entry 47: MOTION GRANTED. THE RESPONSE IS DUE 9/9/05.

* * *

7/19/2005 **MOTION:** Entry 34: by Appellant - MOTION FOR A 14-DAY EXTENSION OF TIME TO FILE A COMBINED PETITION FOR PANEL REHEARING & REHEARING EN BANC. **SERVICE:** by Fax on 7/19/2005

7/21/2005 **ACTION:** Entry 35: MOTION GRANTED. THE PETITION IS DUE 8/10/05.

* * *

7/15/2004 **MOTION:** Entry 18: by Appellee - REQUEST FOR JUDICIAL NOTICE. **SERVICE:** by Hand on 7/15/2004
REPLY 1: 8/2/2004, Entry # 19
REPLY 2: 8/9/2004, Entry # 20

9/1/2004 **ACTION:** Entry 21: MOTION GRANTED IN PART AND DENIED IN PART. AT&T TO FILE REPLACEMENT BRIEF BY 09/22/04. IF NECESSARY, MICROSOFT MAY FILE REPLACEMENT REPLY BRIEF WITHIN 10 DAYS FROM SERVICE OF AT&T'S REPLACEMENT BRIEF.

* * *

RELEVANT DOCKET ENTRIES IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

CIVIL DOCKET FOR CASE #: 1:01-cv-04872-WHP

* * *

Date Filed	#	Docket Text
06/04/2001	1	COMPLAINT filed. Summons issued and Notice pursuant to 28 U.S.C. 636(c). FILING FEE $150.00 RECEIPT # 407654. (db) (Entered: 06/05/2001)
06/04/2001		Magistrate Judge Theodore H. Katz is so designated. (db) (Entered: 06/05/2001)
* * *		
06/11/2001	3	Notice of Case Assignment to Judge William H. Pauley III. Copy of notice and judge's rules mailed to Attorney(s) of record: Hallie B. Levin, Robert D. Kaplan. (gmo) (Entered: 06/12/2001)
07/10/2001	4	AFFIDAVIT OF SERVICE of summons and complaint as to Microsoft Corp. by Microsoft Corporation's registered agent on 6/22/01. Answer due on 7/12/01 for Microsoft Corp. (kw) (Entered: 07/11/2001)
* * *		
07/20/2001	8	ANSWER to Complaint and COUNTERCLAIM by Microsoft Corp. (Attorney James H. Carter) against AT&T Corp. Firm of: Sullivan & Cromwell.

		(kw) (Entered: 07/24/2001)
		* * *
08/08/2001	11	AMENDED ANSWER to Complaint by Microsoft Corp.: amends [8-1] answer. (tp) (Entered: 08/09/2001)
08/08/2001	11	COUNTERCLAIM by Microsoft Corp. against AT&T Corp. (tp) (Entered: 08/09/2001)
		* * *
08/10/2001	12	REPLY by AT&T Corp. to [11-1] counter claim; Firm of: Friedman Kaplan Seiler et al by attorney Robert D. Kaplan for counter-defendant AT&T Corp., Hallie B. Levin for counter-defendant AT&T Corp. (cd) (Entered: 08/13/2001)
		* * *
08/22/2001	16	REPLY by AT&T Corp. to [11-1] counter claim; Firm of: Friedman, Kaplan, Seiler & Ademan LLP by attorney Robert D. Kaplan for counter-defendant AT&T Corp. (pl) (Entered: 08/23/2001)
		* * *
01/08/2002	25	ORDER; that AT&T must amend its complaint to list the additional codecs it alleges infringes the '580 patent in order to obtain discovery on those codecs; Microsoft shall reveal whether it intends to rely on the "Opinion of counsel" defense to allegations of willfulness by 4/15/02. (signed by Judge William H. Pauley III); Copies mailed. (pl) (Entered:

		01/09/2002)
		* * *
02/26/2002	28	AMENDED COMPLAINT by AT&T Corp. (Answer due 3/11/02 for Microsoft Corp.) amending [1-1] complaint. Jury trial requested. (kw) (Entered: 02/27/2002)
		* * *
03/14/2002	29	ANSWER AND AMENDED COUNTERCLAIM TO THE AMENDED COMPLAINT by Microsoft Corp. (Attorney Dale Heist from the Firm: Sullivan & Cromwell). (cd) (Entered: 03/15/2002)
		* * *
04/15/2002	32	AMENDED ANSWER TO [28-1] amended complaint by Microsoft Corp. (Attorney James H. Carter from the Firm: Sullivan & Cromwell). (bai) (Entered: 04/19/2002)
04/15/2002	32	AMENDED COUNTERCLAIM by Microsoft Corp. against AT&T Corp. (bai) (Entered: 04/19/2002)
05/03/2002	33	REPLY by Microsoft Corp. to amended counterclaim: [32-1] counterclaim; Firm of: Friedman Kaplan Seiler & Adelman LLP by attorney Hallie B. Levin for counter-defendant AT&T Corp. (sn) (Entered: 05/07/2002)
05/07/2002	34	OPENING BRIEF by AT&T Corp. in support of claim construction. (db) (En-

		tered: 05/10/2002)
		* * *
05/30/2002	37	OPENING CLAIM CONSTRUCTION BRIEF by Microsoft Corp. Appendix attached. (yv) Modified on 06/06/2002 (Entered: 06/06/2002)
		* * *
06/04/2002	38	CLAIM CONSTRUCTION RESPONSE BRIEF by Microsoft Corp. (db) (Entered: 06/12/2002)
06/04/2002	39	REPLY by AT&T Corp. to Microsoft's opening [38-1] opposition memorandum (db) (Entered: 06/12/2002)
		* * *
06/27/2002	42	JOINT CLAIM Construction Statement purs. to Scheduling Order of 6/26/02. (sac) (Entered: 07/02/2002)
		* * *
07/01/2002	46	Amendments to its claim construction BRIEFS by AT&T Corp. re: (ll) (Entered: 07/11/2002)
07/01/2002	47	Supplemental Claim Construction BRIEF by Microsoft Corp. re: (ll) (Entered: 07/11/2002)
		* * *
09/11/2002	59	Second amendment to its claim construction briefs by AT&T Corp. Exhibits 23-29 attached. (yv) (Entered: 09/16/2002)
09/11/2002	60	Second Amended Claim Construction

		Brief by Microsoft Corp. (yv) (Entered: 09/16/2002)
09/18/2002	63	REPLY by Microsoft Corp. Re: AT&T's Second Amendment to its Claim Construction Brief (cd) (Entered: 09/25/2002)
09/18/2002	64	REPLY by AT&T Corp. Re: Microsoft's Second Amended Claim Construction Brief (cd) (Entered: 09/25/2002)
		* * *
10/23/2002	80	BRIEF by Microsoft Corp. re: Post-Hearing claim construction brief. (gq) (Entered: 10/25/2002)
10/23/2002	81	BRIEF by AT&T Corp. re: Initial post-hearing claim construction brief. (gq) (Entered: 10/25/2002)
		* * *
11/06/2002	85	REPLY by AT&T Corp. Re: [80-1] opposition memorandum (djc) (Entered: 11/12/2002)
11/06/2002	86	Microsoft's Post-hearing Claim Construction Response Brief. (djc) (Entered: 11/12/2002)
		* * *
04/23/2003	102	SECOND AMENDED ANSWER by Microsoft Corp. to [28-1] amended complaint. (Attorney James H. Carter from the Firm: Woodcock Washburn LLP). (sb) (Entered: 04/24/2003)
04/23/2003	102	AMENDED COUNTERCLAIM by Mi-

		crosoft Corp. against AT&T Corp.: amending [32-1] counter claim. (sb) (Entered: 04/24/2003)
04/28/2003	103	STIPULATION and ORDER, Microsoft Corp. is granted leave to file the second amended answer and amended counterclaim to AT&T's amended complaint for patent infringement, which shall be deemed served and filed upon the Court's execution of this stipulation and order. (signed by Judge William H. Pauley III) (sb) (Entered: 04/29/2003)
06/24/2003	112	ORDER, For the reasons set forth in this memorandum and order; this Court construes the thirteen disputed claim terms and phrases as further set forth in this order, this memorandum and order constitutes the decision of this court concerning claim construction. (signed by Judge William H. Pauley III); (dle) (Entered: 06/25/2003)
* * *		
11/18/2003	160	NOTICE OF MOTION (FILED ON SERVICE DATE) by Microsoft Corp. in limine barring evidence as to supposed liability for patent infringement under 35 USC 271(f). No Return Date indicated. (db) (Entered: 11/20/2003)
11/18/2003	161	MEMORANDUM OF LAW by Microsoft Corp. in support of [160-1] motion in limine barring evidence as to supposed liability for patent infringement under 35 USC 271(f). (db) (Entered: 11/20/2003)

* * *		
12/01/2003	163	MEMORANDUM OF LAW in Opposition re: [160] Motion in Limine. Document filed by AT&T Corp. (sac,) (Entered: 12/08/2003)
* * *		
12/08/2003	185	REPLY MEMORANDUM OF LAW in Support of the [160] Motion in Limine. Document filed by Microsoft Corporation. (tp,) (Entered: 12/19/2003)
* * *		
01/26/2004	205	Memorandum In Support Of Microsoft's Motion in Limine To Exclude Certain Aspects Of AT&T'S Damages Claim. Document filed by Microsoft Corporation. (jmi,) (Entered: 01/30/2004)
* * *		
02/09/2004	244	AT&T's opposition to Microsoft's motion in limine to exclude certain aspects of AT&T's damages claim. Document filed by AT&T Corp. (dle,) (Entered: 02/11/2004)
* * *		
03/05/2004	284	ORDER, that for the reasons set forth herein, defendant Microsoft Corporation's Motion for Partial Summary Judgment pursuant to 35 U.S.C. 271(f) is Denied. (Signed by Judge William H. Pauley III on 3/5/04) Copies Mailed By Chambers. (tp,) (Entered: 03/05/2004)
03/08/2004	286	JUDGMENT is entered in favor of

		AT&T and against Microsoft that US Patent 32,580 is enforceable and not invalid, AT&T's infringement claim is dismissed, all of Microsoft's counterclaims are dismissed with prejudice, the parties have agreed upon a settlement payment, the parties intend that defendant have the right to appeal the Court's determination, the Court shall retain jurisdiction to enforce the terms of the settlement, and each party shall bear its own costs and attorney's fees. (Signed by Judge William H. Pauley III on 03/05/04) (jf,) (Entered: 03/08/2004)
		* * *
03/08/2004	287	STIPULATION AND ORDER; the District Court ruled in favor of AT&T on all 271(f) issues in an opinion dated 3/5/04. AT&T and Microsoft have entered into a confidential settlement agreement pursuant to which Microsoft has agreed to pay damages to AT&T in connection with AT&T's allegations that Microsoft's United States sales infringe the '580 patent. The settlement agreement obligates Microsoft to make an additional payment of damages to AT&T in the event that the District Court's 271(f) ruling is affirmed on appeal. (Signed by Judge William H. Pauley III on 3/8/04) (sac,) (Entered: 03/08/2004)
		* * *
03/19/2004	291	NOTICE OF APPEAL TO THE FEDERAL CIRCUIT from [286] Judgment.

		Document filed by Microsoft Corporation. Filing fee $255.00, receipt number E502750. Copies of Notice of Appeal to the Federal Circuit mailed to Attorney(s) of Record: Cooley Godward, LLP, CA, Cooley Godward, LLP, VA and Friedman, Kaplan, Seiler & Adelman, LLP. (dt,) (Entered: 03/19/2004)
* * *		
11/02/2005	296	MANDATE of USCA (Certified Copy) as to [291] Notice of Appeal to the Federal Circuit, filed by Microsoft Corporation, USCA Case Number 04-1285. Ordered, Adjudged and Decreed that the judgment of the District Court is AFFIRMED. Jon Horbaly, Clerk USCA. Issued As Mandate: 10/27/2005. (nd,) (Entered: 11/02/2005)

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

AT&T CORP.,

Plaintiff,

Civil Action No.
01 Civ. 4872 (WHP)

-against-

AMENDED COMPLAINT FOR PATENT INFRINGEMENT AND DEMAND FOR JURY TRIAL

MICROSOFT CORPORATION,

Defendant.

Plaintiff AT&T Corp. alleges as follows:

THE PARTIES

1. Plaintiff AT&T Corp. ("AT&T") is a corporation organized under the laws of the State of New York, and having executive offices in this District at 32 Avenue of the Americas, New York, New York 10013-2412.

2. Defendant Microsoft Corporation ("Microsoft") is a corporation organized under the laws of the State of Washington, having its principal place of business at One Microsoft Way, Redmond, Washington 98052-6399, and having at least two offices in the State of New York including an office in this District at 825 Eighth Avenue, New York, New York 10019.

JURISDICTION AND VENUE

3. This is a civil action for patent infringement arising under the United States patent statutes, Title 35, United States Code, § 1 et seq.

4. The Court has jurisdiction over the subject matter of this Action under Title 28 United States Code, §§ 1331 and 1338(a).

5. Microsoft is subject to this Court's personal jurisdiction because it (i) transacts business within the State of New York through, *inter alia*, its office in this District; (ii) has designated an agent for service of process in the State of New York; (iii) has committed tortious acts of patent infringement within the State and in this District; (iv) has committed tortious acts of patent infringement without the State causing injury to person or property within the State and regularly does or solicits business, or engages in any other persistent course of conduct, or derives substantial revenue from goods used or consumed in the State; (v) previously subjected itself to jurisdiction in the State by filing at least twelve suits in this Court including the following: *Microsoft Corporation v. K&E Computer, Inc.*, No. 00 Civ. 7550 (RLC) (S.D.N.Y. filed October 5, 2000); *Microsoft Corporation v. Alliance Tech., Inc.*, No. 99 Civ. 10254 (S.D.N.Y. filed October 4, 1999); *Microsoft Corporation v. Yaruss*, No. 99 Civ. 08904 (S.D.N.Y. filed August 13, 1999); and *Microsoft Corp. v. NY Computer Exchange, Inc.*, No. 99 Civ. 08905 (S.D.N.Y. filed August 13, 1999); and (vi) has admitted that it is subject to this Court's personal jurisdiction in this Action in its Amended Answer and Counterclaim of Defendant Microsoft Corporation.

6. Venue is proper in this District under Title 28 United State Code, §§ 1391(b)-(c) and 1400(b).

BACKGROUND

The Parties' Business

7. AT&T is one of the leading communications companies in the world providing voice, data, and video communications services to large and small businesses, consumers, and government entities.

8. Microsoft develops, manufactures, licenses, and supports a wide range of software products for a multitude of computing devices.

The Invention of the '580 Patent

9. On January 19, 1988, the United States Patent and Trademark Office duly and legally issued U.S. Patent Number Reissue 32,580 ("the '580 Patent") to Bishnu S. Atal and Joel R. Remde, entitled "Digital Speech Coder." A copy of the '580 Patent is attached as Exhibit A. The '580 Patent relates to the field of speech coding technology, a field that studies the compression of speech signals. The '580 Patent is a reissue of United States Patent Number 4,472,832, which issued on September 18, 1984. The '580 Patent is assigned to AT&T. The '580 Patent expired on December 1, 2001.

10. Speech coding technology can reduce the size of a sound file that contains a speech recording. Because the file is smaller, it takes less time to transfer the file across a network, and the file takes up less space on storage devices, such as hard drives. Speech coding technology can be applied to everyday applications such as certain computer software, digital cellular telephones, audio-video conferencing, voice messaging, and Internet voice communications.

11. Dr. Bishnu S. Atal, one of the inventors of the '580 Patent, is internationally recognized for his pioneering work in the field of speech coding. In addition to the '580 Patent, Dr. Atal has received 15 other U.S. Patents and numerous foreign patents. Throughout his career, he has published

more than 90 technical works documenting his research, and his works have been cited more than 800 times by others. In recognition for his distinguished and continuing achievements in original research, Dr. Atal was elected to the National Academy of Engineering and the National Academy of Sciences, each of which is considered one of the highest honors that can be accorded a scientist or engineer. He is also a recipient of the Institute of Electrical and Electronics Engineers' Signal Processing Society Award and Centennial Medal. In 1994, Dr. Atal received the Thomas Alva Edison Award. In 1996, Dr. Atal was named an AT&T Fellow. Presently, Dr. Atal is a Technology Director at the AT&T Shannon Labs in Florham Park, New Jersey.

12. Dr. Atal's and Mr. Remde's work on speech coding as claimed in the '580 Patent has been incorporated into several industry standards in the communications field including, but not limited to, International Telecommunication Union ("ITU") Recommendations G.723, G.723.1, G.728, and G.729. The ITU is an administrative entity that establishes and administers standards.

13. Dr. Atal and Mr. Remde filed the original application that led to the issuance of the '580 Patent on December 1, 1981. To date, many companies have taken licenses from AT&T under the '580 Patent.

Speech Coding Technology in Microsoft Products

14. Microsoft has incorporated speech coding technology into a number of its products by including speech codecs as a component of some of its products. A speech codec is a software program that is capable of coding -- converting a speech signal into a more compact code -- and decoding -- converting the more compact code back into a signal that sounds like the original speech signal.

15. Some Microsoft products include multiple speech codecs. For instance, Windows® 95, a Microsoft computer

operating system, includes a number of speech codecs including the DSP Group TrueSpeech® Software CODEC ("the TrueSpeech® CODEC"), and the Microsoft G.723.1 CODEC.

16. Once a speech signal is coded with one particular speech codec, it can only be decoded by using the same codec. For instance, one application in the Windows® 95 operating system that uses speech codecs is the Sound Recorder application. The Sound Recorder application is similar to a tape recorder, and is capable of recording speech. By speaking into a microphone attached to a computer and selecting a Record button on the screen, a user may record speech. To reduce the size of the resulting file, the user may employ a speech codec, such as the TrueSpeech® CODEC, to convert the resulting file into a more compact code. The code can be stored on a computer's hard drive for later use. To play back the resulting file using the Sound Recorder application, the user must employ the TrueSpeech® CODEC to convert the code back into speech.

17. Another Microsoft product that employs speech codecs is Microsoft's NetMeeting® video teleconferencing software. Microsoft has incorporated the NetMeeting® software in certain editions of its Windows® operating systems. Microsoft has also distributed the NetMeeting® software through its Web site for users of Windows® 95, Windows® 98, and Windows NT®. *See* Microsoft Corporation, *Windows NetMeeting 3.01 for Windows 95, Windows 98, and Windows NT 4.0, available at* http://www.microsoft.com/windows/netmeeting/download/nm301x86.asp (last updated March 18, 1999) (attached as Exhibit B).

18. The NetMeeting® software permits users to hold audio and video conferences over the Internet, allowing users to have face to face conversations. The NetMeeting® software uses the Microsoft G.723.1 CODEC. For two individuals to talk to each other over the Internet using the Net-

Meeting® software, they must each operate a computer, which is connected to the Internet and installed with the NetMeeting® software. To transmit speech, the first individual speaks into a microphone attached to her computer. The NetMeeting® software on the first individual's computer uses the Microsoft G.723.1 CODEC to convert the speech into a code. The NetMeeting® software on the first individual's computer transmits the code across the Internet to the second individual's computer. The NetMeeting® software on the second individual's computer decodes the codes into speech for the second individual to hear, again using the Microsoft G.723.1 CODEC.

19. AT&T identified the Microsoft products identified in paragraphs 15 - 18, above, and 20 - 40, below, from publicly available information including the use of a standard or recommendation in the name of a product, statements made by Microsoft, and information available in patents and publications. The operation of a speech codec cannot be readily observed through examination of the speech codec itself or a computer running the speech codec. One method commonly used to ascertain the operation of a software program, such as a speech codec, is the examination of source code and other proprietary technical documents. Because the relevant source code and other proprietary technical documents are believed to be kept confidential, AT&T is unable to determine if other products infringe the '580 Patent without further discovery.

Microsoft has Refused AT&T's Offer to License

20. In April 1999, AT&T notified Microsoft that it was infringing the '580 Patent. Since April 1999, AT&T and Microsoft have participated in licensing discussions regarding the '580 Patent ("the Licensing Discussions"). These discussions resulted in AT&T's offering Microsoft a license under the '580 Patent. To date, Microsoft has refused AT&T's offer.

The TrueSpeech® CODEC

21. The TrueSpeech® CODEC, a subject matter of the Licensing Discussions, was developed by DSP Group, Inc. DSP Group, Inc. is not licensed under the '580 Patent.

22. On information and belief, the TrueSpeech® CODEC is described in U.S. Pat. No. 5,673,364, which issued to Leon Bialik ("the Bialik Patent"), and U.S. Application Serial No. 08/160,530 ("the Bialik Application"), the patent application that issued as the Bialik Patent.

23. On information and belief, the TrueSpeech® CODEC is also described in a paper entitled "TrueSpeech™ Algorithm Description" by Sandra Huang ("the Huang Paper"). A copy of the Huang Paper is attached as Exhibit C.

24. After gaining knowledge of the Bialik Patent, the Bialik Application, and the Huang Paper, AT&T informed Microsoft that the TrueSpeech® Software CODEC infringed the '580 Patent.

25. The following Microsoft products have incorporated and/or supported the TrueSpeech® CODEC: Windows® 95, Windows® 98, Windows® 98 Second Edition, Windows® 2000, Windows NT®, Windows Mc™, Windows XP Home Edition, Windows XP Professional operating systems (collectively the "Windows Operating System Products"), NetShow, DirectX, and Cordless Phone System.

The Standard Compliant CODECs Distributed by Microsoft

26. The Microsoft G.723.1 CODEC, the VivoActive G.723.1 CODEC, the VivoActive G.723 Decoder, and the Intel G.723.1 CODEC are voice codecs.

27. ITU Recommendations G.723, G.723.1, G.728, and G.729 were subject matters of the Licensing Discussions.

28. The '580 Patent is necessary to practice ITU Recommendations G.723, G.723.1, G.728, and G.729. Pursuant

to ITU policy, AT&T informed the ITU of this fact through written statements around the time these standards were adopted and offered to negotiate licenses under the '580 Patent on a non-discriminatory basis and on reasonable terms and conditions.

29. On information and belief, Microsoft became aware of the statements referenced in paragraph 28 above.

30. On information and belief, the Microsoft G.723.1 CODEC, the VivoActive G.723.1 CODEC, VivoActive G.723 Decoder, and the Intel G.723.1 CODEC comply with ITU Recommendation G.723.1.

31. The following Microsoft products have incorporated and/or supported the Microsoft G.723.1 CODEC: the Windows Operating System Products and the NetMeeting® software.

32. The following Microsoft products have incorporated and/or supported the VivoActive G.723.1 CODEC: Windows XP Professional, Microsoft Windows Media Player for Windows XP Home Edition, Microsoft Windows Media Player for Windows XP Professional.

33. The following Microsoft products have incorporated and/or supported the VivoActive G.723 Decoder: Windows Media Player for Mac.

34. The following Microsoft products have incorporated and/or supported the Intel G.723.1 CODEC: NetShow 2.0 and NetMeeting 2.0.

The Standard Compliant Products Sold by Microsoft

35. The Microsoft Exchange 2000 Conferencing Server, Microsoft Internet Security and Acceleration Server 2000, and the Telephony Application Programming Interface ("TAPI") of Windows 2000 Professional are products that support ITU Recommendation H.323.

36. On information and belief, the Microsoft Exchange 2000 Conferencing Server supports ITU Recommendation G.723.1.

37. On information and belief, the Microsoft Internet Security and Acceleration Server 2000 supports ITU Recommendation G.723.1.

38. On information and belief, the TAPI of Windows 2000 Professional supports ITU Recommendation G.723.1.

39. On information and belief, Windows Messenger supports ITU Recommendation G.723.

40. On information and belief, the Windows Real-Time Communication client of Windows XP ("Windows RTC Client") supports ITU Recommendation G.723.

COUNT – PATENT INFRINGEMENT

41. AT&T realleges and incorporates herein by this reference paragraphs 1 through 40 of this Complaint as though fully set forth herein.

42. AT&T is the sole owner of the entire right, title, and interest in the '580 Patent.

43. The claims of the '580 Patent relate to a technique known as multipulse speech coding.

44. Microsoft has directly and contributorily infringed, and has induced others to infringe, one or more claims of the '580 Patent by making, using, offering to sell, and/or selling within the United States various multipulse speech coding products including, but not limited to, the following:

(i) products that have incorporated and/or supported the TrueSpeech® CODEC including the products listed in paragraph 25;

(ii) products that have incorporated and/or supported the Microsoft G.723.1 CODEC including the products listed in paragraph 31;

(iii) products that have incorporated and/or supported the VivoActive G.723.1 CODEC including the products listed in paragraph 32;

(iv) products that have incorporated and/or supported the VivoActive G.723 Decoder including the products listed in paragraph 33;

(v) products that have incorporated and/or supported the Intel G.723.1 CODEC including the products listed in paragraph 34;

(vi) the Microsoft Exchange 2000 Conferencing Server;

(vii) the Microsoft Internet Security and Acceleration Server 2000;

(viii) the TAPI of Windows 2000;

(ix) the Windows Messenger; and

(x) the Windows RTC Client.

45. Microsoft's infringement has been willful.

REQUEST FOR RELIEF

WHEREFORE, AT&T requests the following relief:

A. a judgment holding Microsoft liable for infringement of the '580 Patent;

B. an accounting for damages resulting from Microsoft's infringement of the '580 Patent, together with prejudgement and post-judgment interest;

C. a judgment holding that Microsoft's infringement of the '580 Patent is willful, and a trebling of damages pursuant to Title 35 United States Code, § 284;

D. a judgment holding this Action an exceptional case, and an award to AT&T for its attorneys' fees and costs pursuant to Title 35 United States Code, § 285; and

E. such other relief as the Court deems just and equitable.

New York, New York

Dated: February 19, 2002

/s/

Robert D. Kaplan (RK3627)
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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

AT&T CORPORATION,

01 Civ. 4872 (WHP)

Plaintiff,

v.

MICROSOFT CORPORATION,

Defendant.

December 12, 2003
12:20 pm

* * *

[Page 13, line 24 to Page 17, line 18]

THE COURT Let me sort of follow up on a point that you made. Microsoft acknowledges that its export of this software is with the intent that foreign OEM's will eventually combine that software into foreign-made computers.

The Federal Circuit has said that 271 (f)(2), and I am quoting now from Waymark, "Does not require an actual combination of the components but only a showing that the infringer shipped them with the intent that they be combined."

Under the Federal Circuit statement in Waymark, isn't Microsoft's argument that foreign replication of the software abroad exempts Microsoft from 271 (f) infringement liability diminished since it had the intent for the software to be eventually incorporated abroad into the foreign computers?

MR. CULBERT: I think the short answer is no, because again you have to look at what it is that is part of those foreign computers.

If you think of software in the abstract, just in the abstract, then you could imagine how shipping a disk with the intent to have it replicated and then distributed could give rise to in some theoretical basis, we therefore supplied millions, hundreds of millions of versions of that software overseas.

That is only true if you think of it purely in the abstract, but what the Bear case from this August teaches us is that information alone, just information is not something that can give rise to 271 (f) liability. That is something in an abstract sense, that is all the software is. It is like a mold in that sense.

It is our intent that that mold be used overseas to replicate overseas many, many versions, but the mold is just one and it is just information. It is not itself a physical component. If you ask the question, pick a Sony laptop made in Sony from our golden master. You're sitting in Japan and you're looking at that and you ask the question, what is it in this laptop that came from the United States?

If you ask the question is there anything physical in this laptop that came from the United States, the answer will be no. It is entirely manufactured overseas. The only thing in that laptop that came from the U.S. in a sense, in an abstract sense, is Windows, but Windows as a theoretical construct, not something physical.

That would be true not just for software, but it would be true for pharmaceuticals, it would be true for -- take a biotech product, a cell line. The cell gets created, the intellectual property work gets created in the U.S., shipped overseas with the intent to replicate overseas, with the intent to make the exact replicas overseas, millions of exact replicas from that

original cell line that was devised here. Again, there is no 271 (f) liability for those replicas because there is no physical component part of those replicas that was supplied from the United States.

THE COURT Would Microsoft acknowledge that the transfer from the United States to some foreign manufacturer overseas of a golden master constitute a single infringement?

MR. CULBERT: And that is an unfortunate situation where the facts of this case or any particular case actually get in the way because to have an infringement, for example, in this case, you might need a microphone or you might need something else, it is more than just the disk. So I think that is, in this case, it might be an easy answer to that question because the easy answer in this case might be no.

THE COURT If they ship the disk as opposed to making a golden master, if they ship a disk for every unit that is going to be manufactured overseas, what is Microsoft's position?

MR. CULBERT: 271 (f) liability could very well attach, and that is exactly our point. If the manufacturing take place in the U.S. and then goes from the U.S. in its supply overseas, then there could be 271 (f) liability.

That is what the Deep South case was all about. That is why Congress enacted the statute in the first place. If you take a look at the cases that the parties have cited, with two exceptions, virtually every case supports that result.

Take the principal case relied on by AT&T, the software case. Look at the facts there. In that case, the software was created in England by a company called Harlequin. There was another defendant in the case, ECRM, which is a Delaware company, which made I think called Image Setters or something, a half toning invention. The English software was shipped over to Delaware, apparently on the facts of that

case, shipped over to Delaware, incorporated into an apparatus in Delaware which was then shipped all over the world.

The software, the intellectual property, the type of stuff that Microsoft does, that was done in England. There is nothing in that case to suggest there was anything like a golden master of just the software sent from the U.S. overseas for replication overseas. It is almost a mirror image of our case and frankly supports our view, which is that if the manufacturing takes place here, then 271 (f) can apply.

The W.R. Grace case is another example that we think is a correct statement of the law. W.R. Grace, there are multiple versions of the components of an ultimately infringing chemical compound. Those components are made here, supplied overseas. The combination takes place overseas. There is 271 (f) liability.

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Microsoft® Windows® 2000 OEM Preinstallation Kit (OPK) User's Guide Excerpt

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Before You Begin

When you plan the preinstallation process, be sure that you fully agree to and comply with the business and legal requirements and restrictions of Microsoft. For a complete description of these requirements, see Chapter 1 or refer to your license agreement.

Before you begin the preinstallation process, read all of this *OEM Preinstallation Kit (OPK) User's Guide.* You should also read Relnotes.txt and Read1st.txt, located on the Microsoft Windows 2000 OPK Tools CD and the Windows 2000 product CDs, respectively. Also, check all the hardware you plan to preinstall against the Hardware Compatability List (HCL). For the most up-to-date list of supported hardware, see the Hardware Compatability List at the Microsoft Web site (**http://www.microsoft.com/**). Your Windows 2000 CD includes a copy of this list (*drive*:\Support\Hcl.txt) that was accurate as of the date Windows 2000 was released.

In addition, make sure you have the following items:

- **Master/Reference computer.** For information about the master or reference computers, see Chapters 5, 7, and 8, and the Glossary. Depending on the preinstallation method you choose, the master computer may be optional.
- **Destination computers.** These are the computers on which you preinstall Windows 2000 and that you then ship to users.

- **Network. (Optional)** If you are using the network transfer method to preinstall multiple computers from a distribution server, you must be connected to a network.
- **Disk-duplicating equipment or software. (Optional)** If you are using the disk-duplicating or Syspart method to copy the preinstallation master to destination computers, you need third-party disk-duplicating software or hardware.
- **Additional components.** Any hardware, drivers, applications, and so on that you want to preinstall.
- **Your company's support information.** This information must be included in the online support documentation.
- **Help files. (Optional)** Any topics you want to add to Windows 2000 Help.
- **Your company's logo. (Optional)** A copy of your company's logo in bitmap (.bmp) format.
- ***Microsoft Windows 2000 Device Driver Kit.* (Optional)** The DDK provides utilities to write or modify third-party drivers or .inf files.

* * *

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

AT&T Corp.

Plaintiff,

v.

MICROSOFT CORPORATION

Defendant.

01 Civ. 4872 (WHP)

STIPULATED STATEMENT OF FACTS CONCERNING 35 U.S.C. § 271(F)

COURT'S EXHIBIT 1

The parties hereby stipulate to the following facts concerning the issue of infringement pursuant to 35 U.S.C. § 271(f):

1. Plaintiff AT&T Corp. ("AT&T") owns all right, title, and interest in and to United States Patent Number Reissue 32,580 entitled "Digital Speech Coder" (the "'580 Patent");

2. On June 4, 2001, AT&T filed a complaint against defendant Microsoft Corporation ("Microsoft") in the United States District Court for the Southern District of New York ("District Court"), seeking a judgment that Microsoft has infringed the '580 Patent under 35 U.S.C. § 271 and seeking damages for such infringement (the "Dispute");

3. AT&T has alleged that Microsoft's foreign sales constitute acts of infringement under 35 U.S.C. § 271(f) and the District Court has entered summary

judgment that Microsoft's foreign sales are subject to liability in accordance with AT&T's allegation (the "271(f) Ruling");

4. Microsoft conceives, writes, compiles, tests, debugs and creates a master version of its Windows operating system software in Redmond, Washington. Microsoft makes a limited number of "golden master" disks in the United States on which the machine-readable object code for the Windows operating system software is stored;

5. Some golden master disks are shipped abroad to foreign computer manufacturers, known as foreign "original equipment manufacturers" or "OEMs." Pursuant to licensing agreements with Microsoft, those foreign OEMs use the golden master disks to install the foreign-made copies of Windows operating system software onto computers. Each OEM receives a single golden master disk, and that disk itself is never installed on a computer that is then sold. Instead, that golden master disk is used by the OEM to obtain and then replicate object code that is then installed on computers that are sold;

6. Microsoft also ships golden master disks to Microsoft authorized foreign "replicators" who make copies of the Windows operating system software object code and ship those foreign manufactured copies to foreign computer manufacturers;

7. Microsoft also supplies its Windows operating system object code from the United States to certain foreign OEMs and authorized foreign replicators by sending to foreign OEMs or replicators a single encrypted transmission of the object code. The foreign OEMs and replicators decrypt the transmission and install copies of the object code for the Windows operating system software onto computer

hardware, to form computer systems, and optionally create CDs or other media with a copy of the same;

8. During the time relevant for this lawsuit, the golden master disks that Microsoft shipped overseas and foreign electronic transmissions included copies of the codecs that AT&T accused of infringing the '580 patent;

9. Microsoft intends that the foreign OEMs and authorized replicators make the copies of the object code for the Windows operating system (created from the golden master disks and/or electronically transmitted software code) and Microsoft further intends that the foreign OEMs and authorized replicators install those copies onto computer hardware. This computer hardware is manufactured overseas; the computer systems are assembled and the completed systems are then sold to end-users overseas.

10. AT&T alleges, and Microsoft disputes, that the "golden master disks" and the encrypted transmissions of Windows object code constitute "components" within the meaning of 35 U.S.C. 271(f). AT&T alleges, and Microsoft disputes, that the computer systems assembled abroad with the foreign replicated object code contain "components" that were supplied by Microsoft from the United States. In a ruling announced on February 17, 2004, the District Court ruled in favor of AT&T on this issue. The parties agree that, other than the "golden master disks" and the encrypted transmissions of Windows object code, Microsoft does not supply any "component" from the United States for assembly abroad.

11. The District Court ruled in favor of AT&T on all 271(f) issues in an opinion dated March 5th, 2004.

AT&T and Microsoft have entered into a confidential settlement agreement pursuant to which Microsoft has agreed to pay damages to AT&T in connection with AT&T's allegations that Microsoft's United States sales infringe the '580 patent. The settlement agreement obligates Microsoft to make an additional payment of damages to AT&T in the event that the District Court's 271(f) ruling is affirmed on appeal.

/s/
William H. Pauley III, District Judge

/s/
AT&T Corp.

/s/
MICROSOFT CORPORATION

Microsoft Computer Dictionary (5th ed. 2002)

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[pg. 116]

component *n.* 1. A discrete part of a larger system or structure. 2. An individual modular software routine that has been compiled and dynamically linked, and is ready to use with other components or programs. * * *